

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

November 30, 2006

In Reply Refer To:  
Algonquin Gas Transmission, LLC  
Docket No. RP07-32-000

Algonquin Gas Transmission, LLC  
P.O. Box 1642  
Houston, Texas 77251-1642

Attention: Gregg E. McBride  
Vice President, Rates and Economic Analysis

Reference: First Revised Sheet No. 40 to FERC Gas Tariff, Fifth Revised  
Volume No. 1

Dear Mr. McBride:

1. On October 23, 2006, Algonquin Gas Transmission, LLC (Algonquin) submitted a filing in accordance with section 32, Fuel Reimbursement Quantity (FRQ), of the General Terms and Conditions (GT&C) of Algonquin's FERC Gas Tariff. The instant filing reflects the proposed effective Fuel Reimbursement Percentages (FRPs) for the calendar period beginning December 1, 2006. In addition, Algonquin's filing allocates the surcharge amount for the July 31, 2006 balance of the FRQ Deferred Account pursuant to section 32.5 of Algonquin's GT&C. The above referenced tariff sheet is accepted, to be effective December 1, 2006.

2. The revised FRPs proposed to be effective in this filing reflect: (1) an increase of .10 percent (from 1.27 percent to 1.37 percent) for the Winter Period and (2) an increase of .03 percent (from .63 percent to .66 percent) for the Spring, Summer and Fall Period. Algonquin states that it has calculated these FRPs utilizing the latest actual annual data for Company Use Gas and throughput quantities for the twelve month period ended July 31, 2006.

3. Algonquin has also included the calculation of the FRQ Deferred Account allocation pursuant to section 32.5 of the GT&C, which provides that Algonquin will calculate surcharges or refunds designed to amortize the net monetary value of the

balance in the FRQ Deferred Account at the end of the previous accumulation period. For the current FRQ accumulation period (August 1, 2005 through July 31, 2006), the FRQ Deferred Account resulted in a net debit balance of \$2,813,432 to be surcharged to Algonquin's customers. Pursuant to section 32.5(c) of Algonquin's GT&C, the FRQ surcharges are due within 60 days of the Commission's acceptance of this filing. Algonquin states that additional carrying charges will be included for the period from November 1, 2006 to the payment date.

4. Public notice of Algonquin's filing was issued on October 26, 2006. Interventions and protests were due as provided in section 154.210 of the Commission's regulations. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2006)), all timely filed motions to intervene and any motion to intervene out-of-time filed before the issuance date of this order are granted. Virginia Power Energy Marketing, Inc. (VPEM) filed a timely motion to intervene and protest. On November 16, 2006, Algonquin filed a motion for leave to answer and an answer to VPEM's protest. Although Rule 213(a)(2) of the Commission's Rules of Practice and Procedure<sup>1</sup> does not allow for answers to protests, the Commission will grant waiver of this Rule and permit the answer of Algonquin as it provides information that aids the Commission in resolving issues raised by the filing.

5. VPEM states that it cannot support Algonquin's filing even though the increases in the proposed FRPs appear to be minor. VPEM asserts that these relatively small increases mask a disturbing trend in Algonquin's lost and unaccounted for (LAUF) gas. VPEM notes that this filing represents the first change in FRP ratios proposed by Algonquin since 2003. VPEM states that since Algonquin's FRP filings in 2004 and 2005 contained no proposed changes, VPEM states that to assess the trends in LAUF gas, one must refer to Appendix A filed in Docket No. RP04-30 in order to form a basis for comparison. VPEM claims that the comparison reveals that Algonquin has experienced a 72 percent increase in LAUF gas in the most recent 12 months of available data compared to the period analyzed in the Docket No. RP04-30 proceeding.<sup>2</sup> VPEM asserts that this near doubling of LAUF gas is not accompanied by a reasoned explanation and may indicate that Algonquin is experiencing operational issues which are contributing to this problem. VPEM requests that the Commission direct Algonquin to file such an explanation, together with any data required to support or understand that explanation.

6. Further, VPEM states that in the same Docket No. RP04-30 proceeding, Algonquin based its projections of throughput, company use, and LAUF gas on the average of two years of actual data because the 12 month period ending July 2003

---

<sup>1</sup> 18 C.F.R. § 385.213(a) (2006).

<sup>2</sup> A comparison of the projected LAUF gas quantities between Algonquin's 2003 filing in Docket No. RP04-30 and the instant proceeding appears to show a projected 57.9 percent increase in LAUF quantities rather than a 72 percent increase.

contained “atypical cold winter”. VPEM requests that the Commission direct Algonquin to prepare an analysis that shows revised FRPs using projections based on a two-year average of data, as Algonquin proposed in Docket No. RP04-30.

7. In reply, Algonquin states that historically, it has experienced low LAUF gas percentages on its system. Algonquin states that in recent years the flow patterns on the Algonquin system have changed, due at least in part to increased receipts at interconnects on the eastern end of its system, and while LAUF gas by definition cannot be explained by any one factor, these changes have had an impact on fuel use and LAUF quantities on Algonquin. Algonquin states that it is aware of these changes in LAUF quantities and is monitoring closely any increases or decreases in LAUF quantities in the normal course of business. Algonquin states that it has not experienced any event that would lead it to believe that the change in LAUF gas is due to operational issues on Algonquin’s system. Algonquin also points out that the LAUF quantity as a percent of actual throughput on Algonquin’s system is approximately 0.4 percent. Algonquin states that the increase that is already reflected in this LAUF percentage, which is less than one-half of one percent, does not suggest significant issues on the pipeline system.

8. Further, Algonquin states that it does not retain any over-recovery due to its LAUF quantities. Algonquin explains that pursuant to section 32 of its GT&C, any over-recovery of company use gas in any given month results in a credit to the FRQ Deferred Account. Algonquin states that it then calculates the surcharges or refunds designed to either charge or flowback, respectively, the balance in the FRQ Deferred Account in its annual fuel filing. Algonquin submits that given the minimal aspect of the LAUF percentage, the range of Commission-approved LAUF percentages, and the true-up mechanism of annual FRQ filings, the Commission should reject VPEM’s contentions and accept the FRPs included in Algonquin’s FRQ Filing.

9. Algonquin states that it has consistently used actual data in its FRQ filings, as it does in the current FRQ filing, with one recent exception. Algonquin states that in 2002-2003, it experienced unusually high fuel use. To reflect FRPs that would be more representative of company use gas and throughput quantities, Algonquin applied an average of two years of company use gas and throughput data in its 2003 FRQ filing. Algonquin asserts, contrary to VPEM’s contentions, the 12-month period ending July 2006 simply did not feature the kind of atypical, extreme weather conditions that required the use of projections based on two-year average data.

10. The Commission will deny VPEM’s protest. In this filing, Algonquin has filed to revise its fuel reimbursement percentages (FRPs) to be effective for the calendar commencing December 1, 2006. Algonquin has calculated these FRPs utilizing the latest actual annual data (twelve months ending July 31, 2006) for fuel used, LAUF quantities, and throughput quantities. Algonquin’s revised FRPs as shown on Sheet No. 40 are calculated in accordance with section 32 of Algonquin’s GT&C which requires the use of

annual data. Further, Algonquin has explained that it has not experienced any event that would lead it to believe that the change in LAUF gas is due to operational issues on Algonquin's system. VPEM has not provided sufficient reason for Algonquin to deviate from its historic methodology of using the latest annual data in calculating its FRPs. Algonquin has supported its proposed FRPs and we find that the proposed increases in Algonquin's FRPs are minor and are within the historical percentages on Algonquin's system. Accordingly, Algonquin's tariff sheet is accepted, effective December 1, 2006, as proposed.

By direction of the Commission.

Magalie R. Salas,  
Secretary.